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Market Brief - Product

Poland : Ice Cream

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Warsaw [PL1], PL

Executive Summary

Competition in Poland is already strong for traditional ice cream production and will increase as domestic producers broaden investment expenditures to expand and improve production. Poland's ice cream sector is primarily in the hands of six firms which control over 70 percent of the market. Poland's ice cream consumption lags behind that of United States and other European countries' per capita consumption. However, the value of sales has almost tripled since 1994 and experts predict that consumption will continue at a strong pace in the next few years. Despite strong competition and high import tariffs, the rapid expansion in consumption along with the relative lack of high quality products may manifest a potential market for U.S. suppliers.

Advantages	Challenges
Lack of mid to high quality ice cream.	High import tariffs on ice cream.
Consumers consider U.S. products to be better quality.	Local firms increasing investment expenditures.

Consumption Trends

Poland's ice cream consumption lags behind that of United States and other European countries' per capita consumption. Poland's per capita consumption of ice cream is around 3kg annually, while the European and U.S. annual per capita consumption is 10kg and 22kg, respectively. Although, experts predict that consumption will increase to over 8kg per capita within the next few years.

According to Internal Market Research Institute, ice cream remains the most important frozen product on the Poland market, making up over 36% of frozen products. Ice cream is present in about 85 percent of Polish households on at least a seasonal basis. Nearly half of Poland's households purchase ice cream on a regular basis. Poland's ice cream consumption is moving toward a year-round pattern.

In Poland, the average ice cream purchaser is under 30 years old. The majority of ice cream purchases are made on impulse favoring ice cream meant for direct consumption or "on the stick" varieties. Sales of ice cream sold by the scoop are much lower even though "on the stick" constituted about 63 percent of sales. By category, impulse purchases of ice cream in 1997 are divided as:

- "on the stick variety" - 56%
- ice cream in family packs - 37%
- ice cream in cones - 7%

In recent years, an increase has been noted in the sales of packed ice cream (family size ice cream and ice cream deserts). According to Unilever-Algida which is the largest producer in this sector, the number of their customers has more than doubled during the last three years.

Family size ice cream and ice cream deserts are produced by all major players in the Poland market: Algida, Schoeller, Koral, Ekko and Augusto as well as Broda and Zielona Budka (although on a limited basis).

Frozen ice cream bars (produced by Cadbury & Mars Ltd.) and desert yogurts (produced by Danone) constitute a separate product category. Their sales however are only marginal and on a more seasonal basis.

Poles do not have a special preference as far as ice cream flavors are concerned. However, some of the flavors commonly found in EU countries such as Black Currant did not appeal to Poland's consumers. Larger producers have recently limited production of chocolate and chocolate chip ice cream in part due to the extra expense of producing chocolate ice cream versus traditional fruit or vanilla ice cream. Toffee ice creams have been introduced and sales of this product continued to increase for the second year.

Ice cream distributor's have classified Poles' favorite flavors as

- fruit ice cream (strawberry, new - pear, with fruit pieces)
- traditional ice cream taste -eg. vanilla
- chocolate

Also with the changing Polish diet a move has been noted from heavy (fat content) ice creams towards lighter products.

Competition

Poland's ice cream sector is primarily in the hands of six firms which control 73 percent of the market. The Unilever-Algida and German-origin Schoeller multinationals dominate the market. The remaining firms are Polish: Zielona Budka from Warsaw, Ekko from Szczecin, Augusto from Kalisz and Koral Bros from Limanowa.

Unilever-Algida accounts for 32 percent of the ice cream sales value in Poland and is planning to double its current annual capacity of 25 million liters of ice cream. Schoeller, the second largest firm, controls 14 percent while Zielona Budka, Augusto, Ekko and Koral, together, control 27 percent of sales. Ekko has recently increased production to 80 tons a day and have the capacity of producing 180,000 liters per day. They also plan on increasing investment in product distribution and marketing.

Experts are predicting that Poland's ice cream industry will face more consolidation in upcoming years reducing the number of small local ice cream producers. Just three years ago 300 ice cream companies controlled 50 percent of the market. Today that market share is less than 25 percent.

Distribution Channels

The distribution channel for ice cream varies between companies with the larger companies providing their own means of distribution. The mid-size companies use a combination of in-firm distribution and merchandisers depending on production location. The smaller firms have limited capital and limited in-firm distribution. Many of these firms exclusively use merchandisers for distribution.

Trade Data and Regulations

Poland is a net exporter of ice cream with Russia being the biggest market for Polish ice cream. The amount of ice cream exported to Russia decreased from 1997 to 1998 due to Russia's depressed economy. In 1997, Poland produced 136,942,000 kg of ice cream or 136,942 metric tons. The 1998 production figures were not available.

Poland imported 539 kg of ice cream from the United States in 1998 with no U.S. imports 1997. Poland imported 1,358,655 kg (1,358 mt) of ice cream from Hungary in 1998.

Poland's Ice Cream Imports (Kg)

Country	1997	1998
USA	0	539
Hungary	1476299	1358655
France	N/A	146358
Germany	221484	190302
Total Imports	1962869	1762198

Poland's Ice Cream Exports (Kg)

Country	1997	1998
Russia	10919199	7798788
Ukraine	5938740	N/A
Holland	14568	N/A
Turkey	N/A	102709
Czech. Republic	N/A	3040854
Total Exports	22197551	16068773

Ice cream imports are subject to tariffs based on sugar content or DCC. The tariff schedule is as follows: 40% + DCC or
 27.5% + maximum 0.1 ECU/kg + DCC*
 (the lowest of the two being applicable)

DCC: .0017ECU/10g of product or each 1% of sugar/1kg of product
DCC*: .0049ECU/10g of product or each 1% of sugar/1kg of product

These heavy tariffs imply protectionary measures for local ice cream and sugar producers along with an attempt to influence direct foreign investment from interested companies.

Prices

Retail prices for ice cream vary depending on the type ("on the stick" etc.), by amount, and by perceived quality. The retail price for ice cream sandwiches were 0.50-1.00zł (\$0.13-\$0.26). The price of "on the stick" varieties ranged from 0.50 to 3.60zł (\$0.13-\$0.95). The relationship between price and quantity is not constant therefore the perceived value may have a substantial influence on price. The price of a liter carton of ice cream ranged from 2.50 to 11.50zł (\$0.66-\$3.03). The price-quantity relationship was more apparent with carton ice cream, with price increasing as quantity increased. The more expensive carton ice cream was the imported brands.

(The exchange rate used in this section is 1 U.S. dollar equals 3.80 zloty)

Packaging and Label Requirements

Effective July 15, 1994 on the basis of Journal of Law no. 86 chapter 402, all package/canned food products are required to have Polish language labels. Multi-language labels are acceptable as long as they include Polish.

- name of the product
- name and address of the producer
- date best before - the Polish phrase "najlepiej spozyc przed. terminem XXX" is most commonly used.
- net content (weight/capacity)
- content of the product (ingredients, chemical additives, etc.)

Labeling must be applied in the form of a whole label or a permanent sticker before the product can enter Poland. Products arriving in Poland without appropriate labels will be detained at the boarder until appropriate labels are applied.

Poland's Ministry of Health and Social Welfare published new regulations (Monitor Polski no. 22 pos. 233) on allowable food additives on March 31, 1993. Poland uses a positive list, which identifies additives that are permitted for use in foodstuffs. Please note that a new list should be ready later this year and is expected to be very similar to EU regulations.

If you would like to contact authorities directly involved in preparing regulations on food additives and inspection of additive levels in imported products, please contact:

National Food and Nutrition Institute
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